

NORRIS INDUSTRIES

ANNUAL REPORT FOR THE YEAR ENDED JULY 31, 1968



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*On the cover—sparks cascade from rim welding operation in
Norris Industries' Automobile Wheel Division.*

HIGHLIGHTS OF THE YEAR

	For the Years Ended July 31	1968	1967
Earnings per share	\$	3.51	\$ 2.69 (a)
Stockholders' equity		55,720,000	38,483,000
Stockholders' equity per share		13.27	9.73 (a)
Net sales		274,027,000	189,954,000
Income before Federal income taxes		28,932,000	20,320,000
Federal income taxes		14,513,000	9,656,000
Net income		14,419,000	10,664,000
Dividends paid		3,048,000	2,309,000
Dividends paid per share		.73	.59 (a)
Average number of shares outstanding		4,105,111	3,957,621 (a)
Number of stockholders		7,000	4,300
Working capital		34,642,000	22,968,000
Property, plant, and equipment (net)		35,019,000	31,489,000
Number of employees		10,800	10,000

(a) Adjusted for 50% share distribution on April 1, 1968.

TO THE STOCKHOLDERS:

During fiscal 1968 the Company's operating results again climbed to record levels. Net income increased to \$14,419,000, or \$3.51 per common share, a gain of 35 percent over the preceding year. Sales increased to \$274,027,000, a gain of 44 percent over the comparable period.

These results were achieved after provision for the recently enacted 10 percent surtax on corporate income. Retroactive to January 1, the surtax thus applies to seven months of Norris Industries' fiscal year, and amounted to 19 cents per share.

In recognition of the Company's current performance and excellent prospects, the Directors in February increased the quarterly cash dividend on common stock by 20 percent and split the stock 3-for-2. Currently, 4,199,823 common shares are outstanding, on which a quarterly dividend of 20 cents per share is being paid.

To provide a vehicle for potential acquisitions, the shareholders authorized a new class of preferred stock issuable at the discretion of the Board of Directors. None of this stock has been issued. An additional move intended to strengthen the long range growth program was the selection of the firm of Goldman, Sachs & Co. as Norris Industries' investment bankers.

In addition to improved operating results, the Company made significant progress toward its goal of increasing non-defense business, which rose to \$100,764,000, up 67 percent over the preceding year, and 78 percent over fiscal 1966.

A major acquisition of the year was Waste King Corporation, which has been administratively combined with the Thermador Division to form a new operating unit designated the Appliance Group. The combined capabilities of Thermador and Waste King significantly strengthen the Company's position in the kitchen equipment market by broadening its product line.

Progress in other areas of commercial and industrial operations is detailed in the section of this report, titled "Operations Review."

Defense sales reflected the effect of increased production in new plants completed during the past two years, with sales totaling \$173,263,000 against \$129,615,000 in fiscal 1967. As previously stated, the Company feels that its defense volume is at an adequate level, and is concentrating its efforts on expanding in non-defense areas.

When hostilities in Vietnam are terminated the Company's military sales probably will be substantially reduced. This reduction is expected to take place over an extended period of time due to the necessity of replenishing depleted stockpiles of

standard ammunition and increased production of recently developed ordnance items. Concurrently with the reduction of military sales to a more normal level, increased sales of commercial products are anticipated as the expected upsurge in residential building activity occurs. Management also plans to continue its efforts to acquire additional non-defense oriented companies to further expand its commercial product business.

Bank debt was reduced by \$5,181,000 during the past year, but this was offset by the assumption of Waste King's \$5,000,000 debt. Total bank indebtedness at year end was \$26,290,000, which we anticipate will be reduced by approximately \$14,000,000 during fiscal 1969 unless cash is used to finance further acquisitions.

A number of executive appointments strengthened Norris management during the year. H. J. Meany, a vice president of the Corporation and general manager of Thermador Division, was promoted to group vice president heading the new Appliance Group. Frank W. Russell, with the Weiser Division since 1945, most recently as vice president of sales, was named division vice president and general manager of that division.

Richard C. Zajic, former assistant general manager of Chrysler Corporation's Missile Division, was named a division vice president and general manager of the Vernon Military Products Division. Albert M. Steinbach joined the Company as division vice president and general manager of the Corporation's Fire & Safety Equipment Division. Previously Mr. Steinbach had been vice president and general manager of the Newark Division of Weston Instruments.

Mahlon E. Arnett, Los Angeles business and civic leader, was elected to the Board of Directors. He formerly was president of Bullock's-Magnin Co. and a vice president of Federated Department Stores, Inc. George P. Eichelsbach, Jr., group vice president-military products, also was elected to the Board. Mr. Eichelsbach joined Norris Industries in 1964.

Norris Industries now operates 18 plants in four U.S. states and two Canadian provinces, with overall employment in excess of 10,000 persons. For Norris Industries, fiscal 1968 was a year of record progress.

The outlook for fiscal 1969 is excellent. Military sales are expected to stabilize around the 1968 level, while commercial sales are expected to increase approximately 10 percent above 1968, exclusive of any additional commercial sales which may result from acquisitions.

Sincerely,



K. T. Norris
Chairman of the Board



K. T. Norris, Jr.
President



September 30, 1968

OPERATIONS REVIEW

In addition to the record operating results documented in the financial sections of this report, Norris Industries last year made significant progress in improving manufacturing techniques, modernizing production equipment, and developing and marketing new products. Though these advances were reflected in 1968 sales and earnings, they will have an even greater impact in the future.

Achievements of the past year also demonstrated the Company's administrative versatility and flexibility, and its traditional expertise in metalworking technology, the common denominator of its operations.

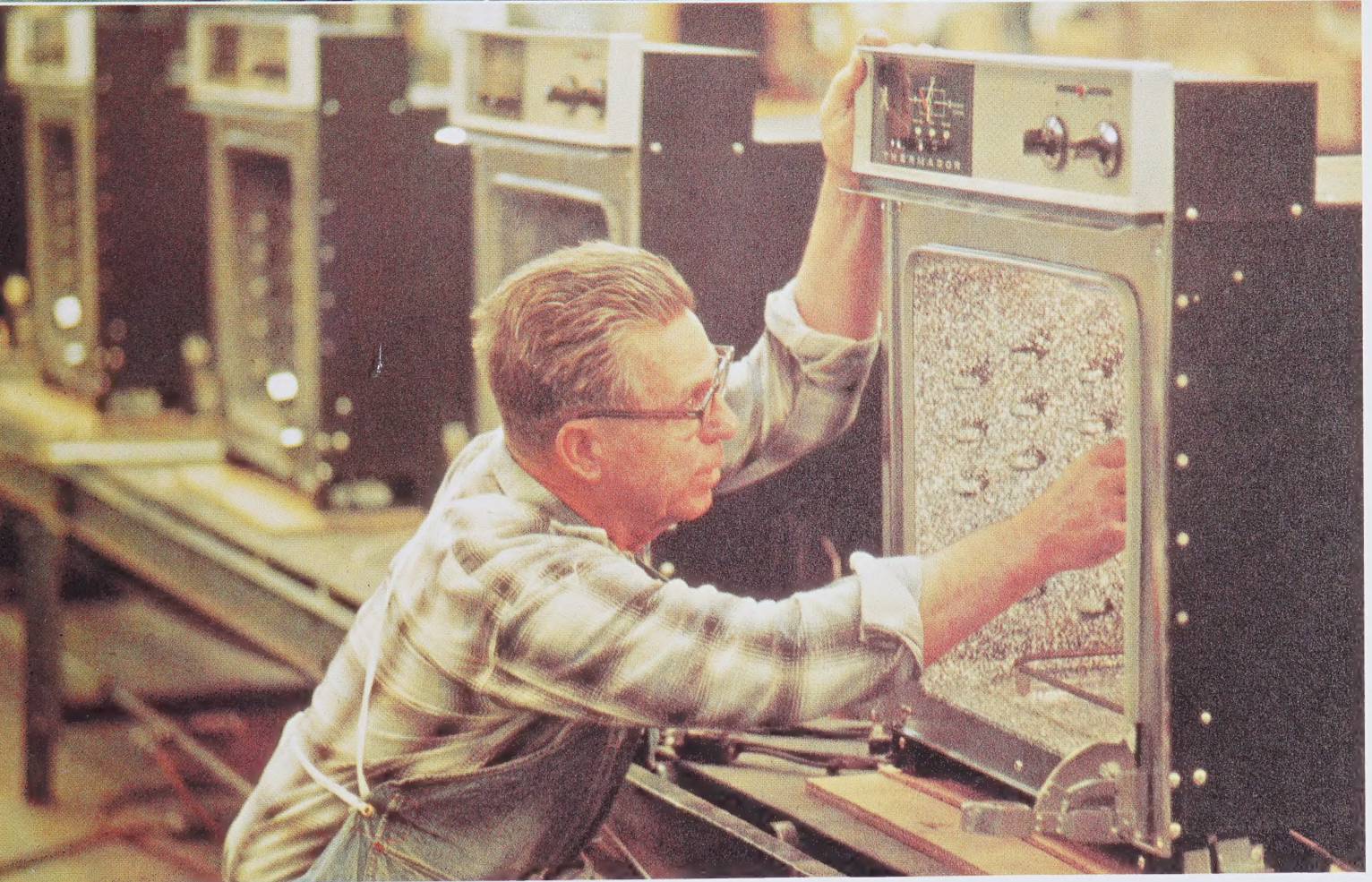
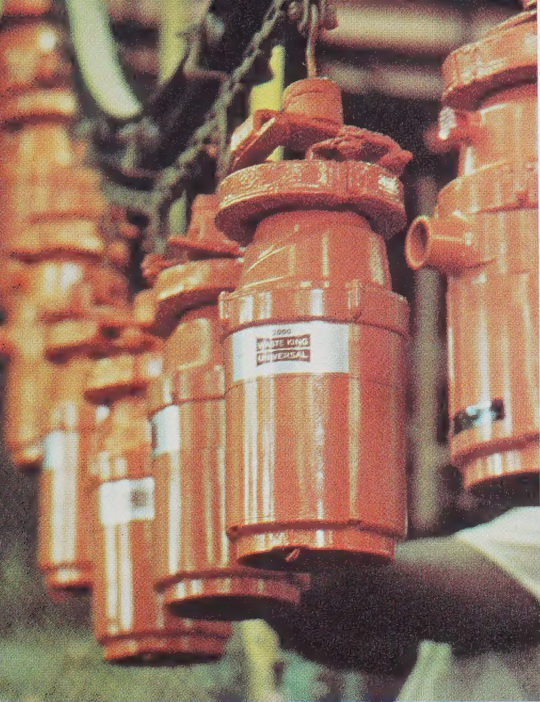
Waste King Corporation, acquired during the year, is now a part of the newly formed Norris Industries Appliance Group, but retains its identity as a separate operating and marketing subsidiary. The addition of Waste King rounds out the Corporation's appliance lines, thus providing a broad product spectrum which is a significant factor in the kitchen equipment market. The unprofitable commercial cooking equipment portion of Waste King's line has been sold, and the marketing of its other lines has been intensified. By closing the Waste King factory in Alamo, Tennessee, and moving its production of cooking equipment to a Norris Los Angeles facility, considerable overhead reductions were achieved, and the Alamo plant has been disposed of. Although it will be some time before Waste King achieves its forecast profit level, it has been successfully turned around and is now showing a profit.

Waste King, a pioneer in the field, is currently celebrating the production of its 4-millionth food waste disposer, providing a theme which will be stressed in advertising and promotion throughout the year.



Above—H. J. Meany (left), Appliance Group vice president, and George C. Ford, Commercial Products Group vice president, discuss press operations at Thermador Plant.

Opposite—Food waste disposers, porcelain-on-steel bathtubs, and self-cleaning ovens move down three of the Corporation's many production lines.



The Thermador Division introduced a new concept in kitchen ventilators, consisting of eight hood styles applicable to any of four ventilator models. The line includes a low profile, roof-mounted ventilator with exceptionally high air capacity. Also introduced was a ceiling ventilator for residential and commercial use. Both roof and ceiling ventilators are extremely quiet in operation, a major sales feature.

Thermador also added a fifth model to its self-cleaning oven line, a 30-inch, drop-in range with a choice of cooking element configurations, one of which is the popular Thermador griddle and grill barbecue unit. Scheduled for production in late fall, this product shows great promise.

Patents Awarded

Another significant event was the award to Thermador of two patents on unique features that have made its self-cleaning ovens so popular: the built-in exhaust system, and the self-sealing door, which won a design award last year.

At the Weiser Division, the expansion of facilities is proceeding on schedule. The 350,000-square-foot addition to the Los Angeles facility is approximately 25 percent completed; the 118,000-square-foot addition to the Division's plant in Canada was finished in August. To increase production capacity, more than \$1.8 million has been invested in new machinery and processing equipment for the Division's Los Angeles and Canadian plants.

Already the largest producer of residential door locks in North America, the Weiser Division continued to make progress in penetrating the market of industrial, commercial and institutional structures. Designated the "Falcon" line, these commercial locks are receiving increasingly enthusiastic acceptance by architects and hardware consultants. The Division also has launched a continuing program of lock refinement and improvement to improve quality and reduce costs.

Sales and Profits Up

Sales volume of the Plumbingware Division showed a sharp increase over that of fiscal year 1967. Profit margins improved due to the increased volume and the first price increase in several years. The Division also developed a new model lavatory for the mobile home market and is currently tooling for production of this unit.

The Bowers Division, which produces electrical outlet and switch boxes, expanded its new line of plastic units last year, and placed in production several models of floor boxes. Warehousing facilities were established in Chicago and Houston, and additional sales agents were added to service Nebraska, Minnesota and Missouri. At the Division's headquarters, an additional 25,000 square feet of warehousing space was constructed.

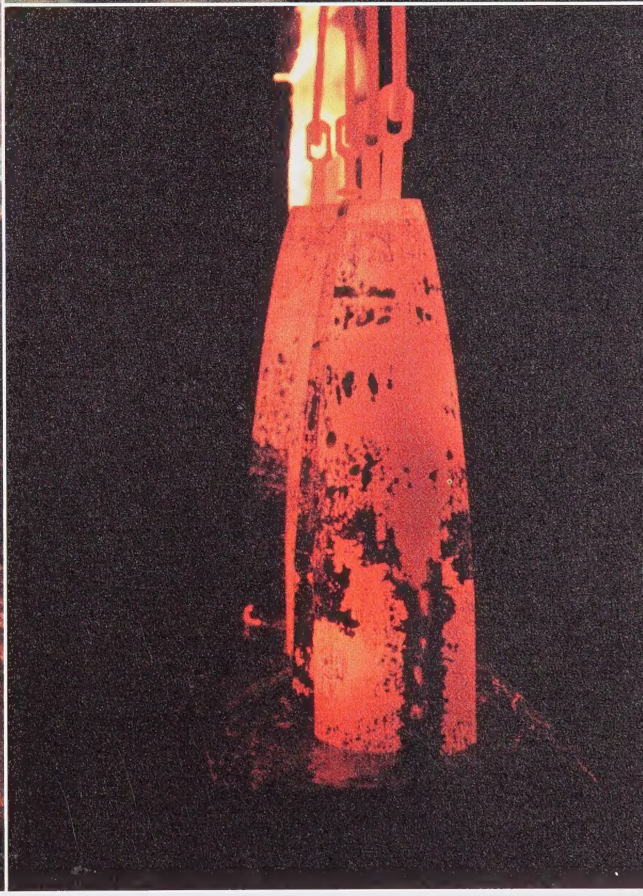
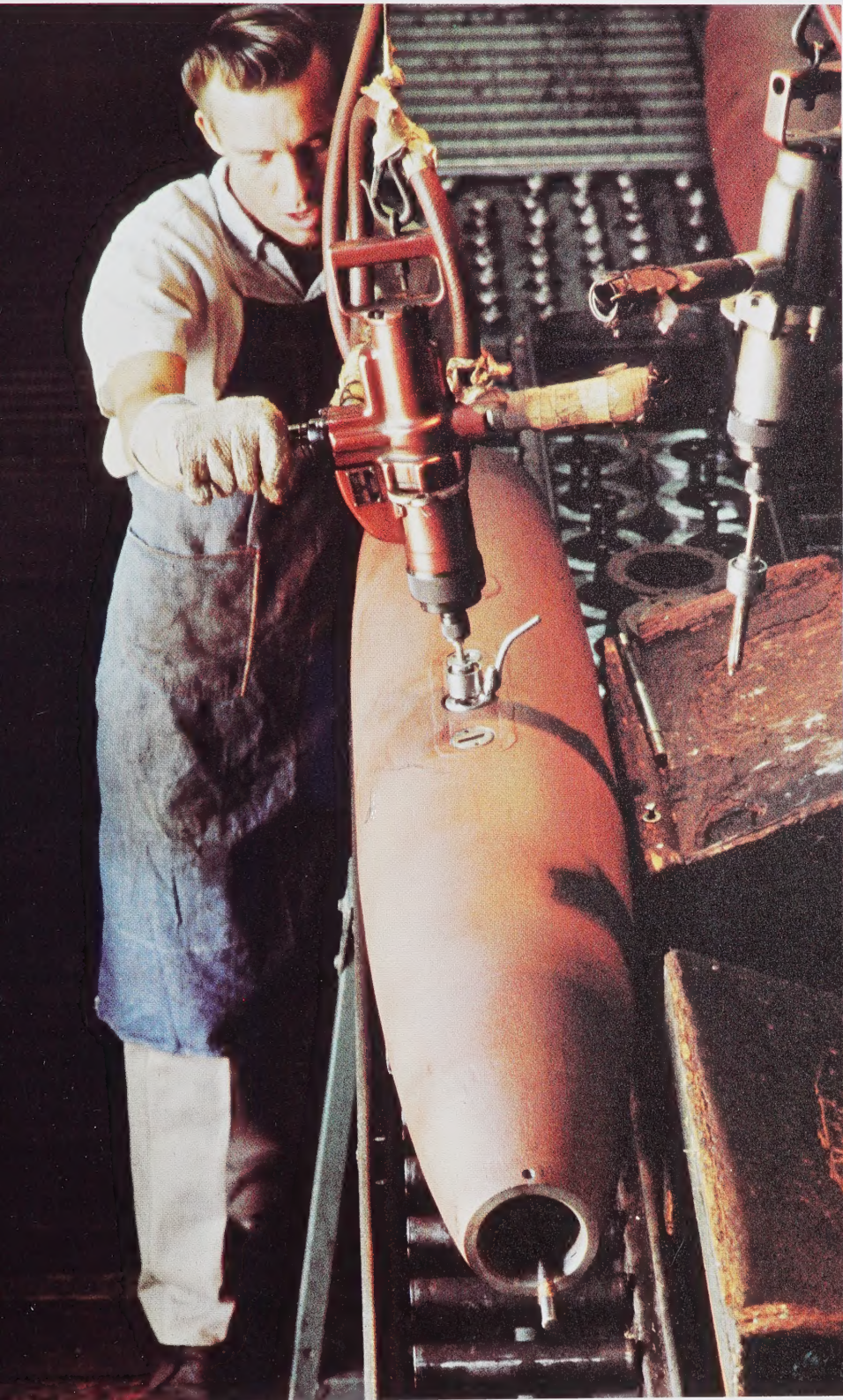
The consolidation and modernization of the Fire and Safety Equipment Division's operations were completed during the year, with the exception of the brass manufacturing facility at Wooster, Ohio, which will be moved to New Jersey prior to the end of the calendar year.

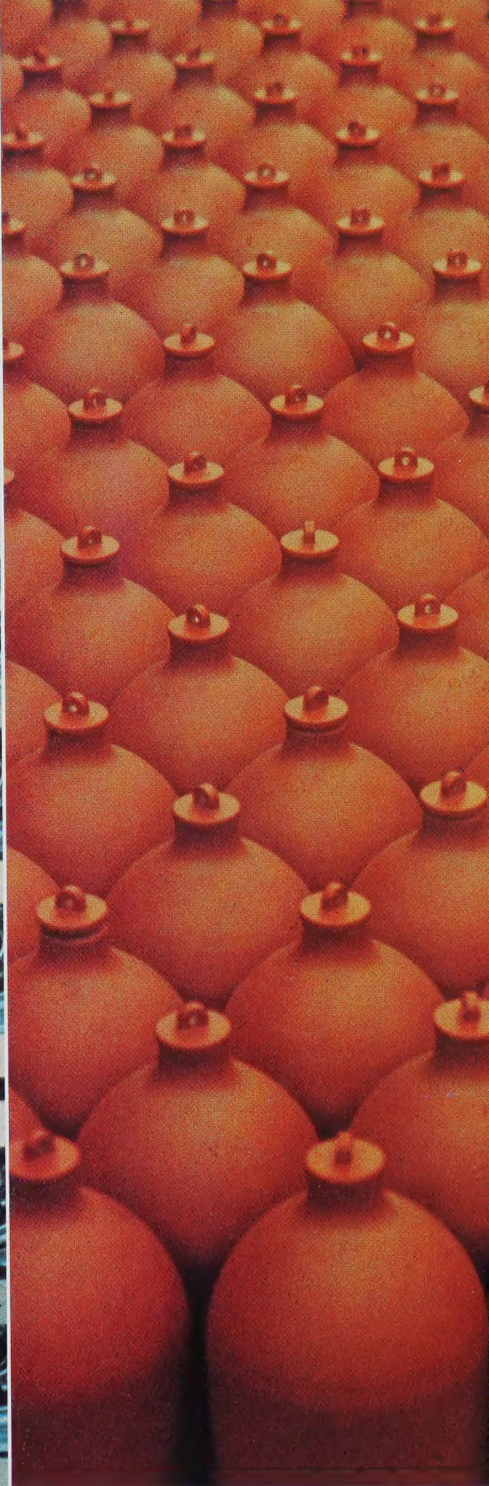
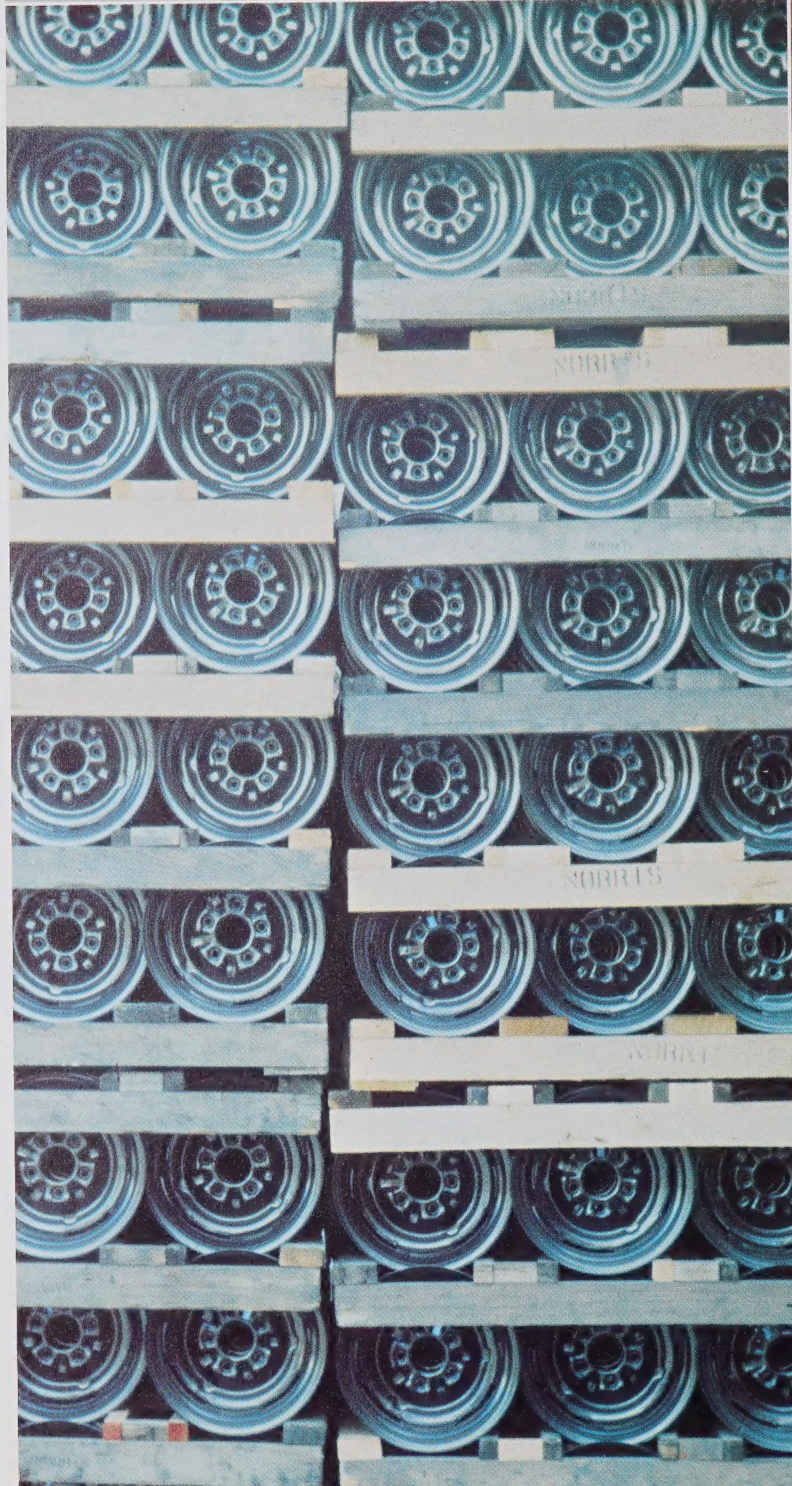
Production equipment in the 147,000 square foot Newark plant was completely rearranged to improve the flow of materials and provide more efficient location of working groups and new lighting was installed. The executive and engineering offices were renovated, and a new building providing a central facility for technical



Above—Donald P. White (left), Military Sales vice president, and George P. Eichelsbach Jr., Military Products Group vice president, discuss projectile program in Vernon Plant.

Opposite—Machining and heat treating of bombs, and inspection of cartridge cases, typify military products operations conducted in several plants.





Above—(left to right) John C. Reppert, secretary and assistant treasurer, Hugh J. Shumaker, Financial vice president and treasurer, and Robert S. Putnam, Industrial Relations vice president, confer on employee benefit program.

Below—Automobile wheels and compressed gas cylinders await shipment

personnel was completed. The new plant at East Brunswick, which produces a full line of portable fire extinguishers, was completed and is considered the most modern facility of its kind in the industry.

Improvements in capital equipment included the acquisition of machinery to automatically machine sprinkler heads, a new machine for producing fusible elements for sprinkler heads, and improved fire extinguisher leak detection instrumentation.

New Products Introduced

A high-expansion, foam-generating nozzle for fire department use was introduced, and new extinguisher and hose cabinets featuring advanced design concepts are being added to the interior equipment line. Significant contracts received by the Division included an order calling for installation of smoke detection and carbon dioxide fire extinguishing systems on 11 passenger-cargo vessels, a large government order for extinguishers, and a Freon extinguishing system for protection of the duPont Foundation's Winterthur Museum in Delaware, a testimonial to the reliability of the Division's equipment.

The Division has launched an extensive program of value analysis to reduce costs, while maintaining quality, a hallmark of Norris fire-fighting equipment. In addition to vigorously pursuing its traditional markets, the Division launched a program designed to gain greater acceptance in the construction field.

Expansion Completed

The \$1.5 million expansion and modernization program at Compressed Gas Cylinders Division was substantially completed, with the additional space being utilized to produce a new series of large high-pressure cylinders for oxygen, hydrogen, nitrogen and argon, among other gases. The Division is now the first "one-stop" source for every type of industrial cylinder. It also is the only manufacturer which produces a full line of compressed gas cylinders from raw steel to finished product within its own plant. This gives Norris Industries quality control that is unequaled in the cylinder industry. In May the Division opened a new warehouse in San Francisco to serve its growing markets in the Bay Area and the Northwest. This is part of a continuing expansion program which has already seen warehouses established in Chicago, Philadelphia and Dallas.

Progress in the Automobile Wheel Division was chiefly technological. A new technique of painting, known as electrodeposition, was successfully introduced. In this method water-reducible paint is applied in a manner much like electroplating to the difficult task of evenly painting irregularly shaped parts. The resulting quality is far superior to that provided by other methods, and paint costs are reduced. The Division also developed a proprietary method of welding wheel components to provide a stronger unit. This is particularly important in disc brake applications, a growing trend in the automotive industry. New products included a 14 x 7.0 wheel as optional equipment on Camaros and Firebirds and a 15 x 7.0 rim for custom wheel applications.

The Russell Bolt Division established four new marketing areas: Seattle, St. Louis, Indianapolis and Cincinnati. The Division also received long-term contracts from



Above—Jack Valliant, division vice president and Commercial Products Group II general manager, and Frank W. Russell, Weiser Division vice president and general manager, look over hardware line.

At left—Door knobs are lacquered, and electrical outlet boxes pour off the production line.

a number of aerospace companies, including McDonnell Douglas, Hughes Tool Co., Bell Helicopter and the Boeing Vertol Division.

The sales volume of defense products continued high at all Norris facilities engaged in this work. These include the Vernon Division, one of the nation's largest ordnance production plants; the Hesse-Eastern Division; the Maywood and Pico Rivera Military Products Plants; and the Riverbank Army Ammunition Plant, which is an Army-owned facility operated by Norris Industries. Items placed in production during the year included the 8"/55 cartridge case, the largest being produced in the United States, and rocket assisted projectile warheads for the Sheridan-Shillelagh system and the 5"/38, 5"/54 and 155 mm. guns.

Reliability Improved

A new version of the famed LAW (light anti-tank weapon) developed by the Hesse-Eastern Division was enthusiastically accepted by the Army. This new version of the famed weapons system features improved reliability and operational ease. Its initial production is scheduled for the fall of this year. Development work on the new LAW subcaliber training system was completed in July. This launcher, which can be reused over 500 times, will permit the Army to give troops much more extensive training in use of the system.

Operations Accelerated

To fulfill a new contract for anti-personnel mine canisters, the Hesse-Eastern Division installed two new machinery lines comprised of 12 automatic lathes and 30 second-operation machines. This equipment is of the general-purpose type adaptable to a variety of products, and increases the Division's machining capacity by manyfold. Hesse-Eastern also acquired four Magnaform machines for forming aluminum through the utilization of a high magnetic field. In March the Division began construction on the first module of a new plant which will eventually cover 135,000 square feet. Completion of the initial unit is scheduled for October. It will be devoted to production of the new version of LAW.

At the Vernon Division, hot-forge capability was supplemented with improved heating and forming equipment for the manufacture of projectiles. Heat treating and metal processing equipment was modernized and improved; twelve new heavy-duty lathes were installed for use in machining projectiles, and conveyORIZED handling equipment was added in cartridge case press and machining areas. As an element in the Division's R&D program, a number of horizontal hydraulic presses of a new design were purchased to explore their application in the manufacturing of both defense and commercial/industrial products. A non-destructive test for cartridge case hardness was developed to further improve quality control.

At the Riverbank Plant, the substitution of mechanical for hydraulic presses made possible faster and more precise manufacturing operations. Production is scheduled to start in February on two additional cartridge case lines at Riverbank.

* * *

In summary, 1968 was a year of achievement and progress for Norris Industries. These accomplishments, accelerating the existing momentum of a company on the move, will have even more favorable impact in the years ahead.

THE PRODUCTS OF NORRIS INDUSTRIES

The Company's products, chiefly produced through metal forming techniques, fall into three general categories: industrial, construction and defense.

Industrial Products—The Automobile Wheel Division supplies wheels to the West Coast assembly plants of General Motors and Chrysler Corporation, mobile home manufacturers, and components to manufacturers of customized wheels.

More than 30 different types and sizes of cylinders are supplied by the Compressed Gas Cylinders Division. These containers are used for a variety of gases, including acetylene, carbon dioxide, hydrogen, nitrogen and oxygen. Customers include gas distributors, suppliers of welding equipment, manufacturers of fire extinguishers, medical and underwater diving and hydraulic equipment, and the carbonated beverage industry.

The Fire & Safety Equipment Division manufactures portable fire extinguishers, fixed carbon dioxide and other fire extinguishing systems and equipment, sprinkler devices, and fire department brass items such as nozzles, couplings and valves, as well as smoke detection systems. This equipment is used in commercial and industrial facilities, the home, a variety of marine applications, and by fire departments.

The Russell Bolt Division produces a wide range of conventional industrial fasteners, as well as special fastening devices for advanced engineering applications.

Construction Products—Appliances for the kitchen comprise the main product line of the Appliance Group, which consists of the Thermador Division and Waste King Corporation, a subsidiary. Products include electric and gas ranges and ovens, dishwashers, space and water heaters, food waste disposers, indoor grills, and kitchen and bathroom ventilators, among others.

The Weiser Division, the largest supplier of residential door locks in North America, has moved aggressively into the market provided by commercial and institutional structures. A wide range of models of lock sets is manufactured by this Division.

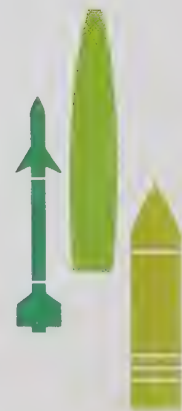
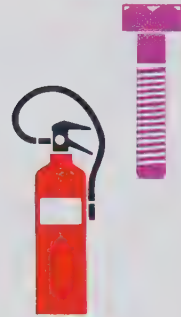
As its name implies, the Plumbingware Division produces porcelain-on-steel bathtubs, lavatories and kitchen sinks, and vitreous china water closets and lavatories, which are supplied to both residential and commercial markets.

Both metal and plastic electrical outlet and switch boxes are produced by the Bowers Division for residential, industrial and military applications.

Defense Products—The Company manufactures projectiles, cartridge cases, bombs, and components for such missile systems as Arcas, Shrike, Sidewinder, Redeye, TOW, and Zuni. This equipment is produced by the Vernon Division, supplemented by the Maywood and Pico Rivera plants, which make 500-pound bombs and 2.75" rocket motors.

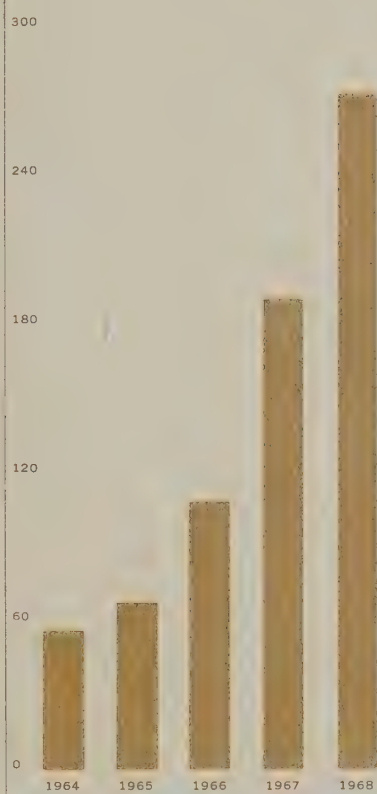
The Riverbank Army Ammunition Plant, owned by the government and operated by Norris Industries, manufactures cartridge cases and mortar shells in various sizes.

Through its Hesse-Eastern Division, the Company supplies the LAW, or Lightweight Anti-tank Weapon, and a number of other military products. This Division is also engaged in the development of new weapons concepts.



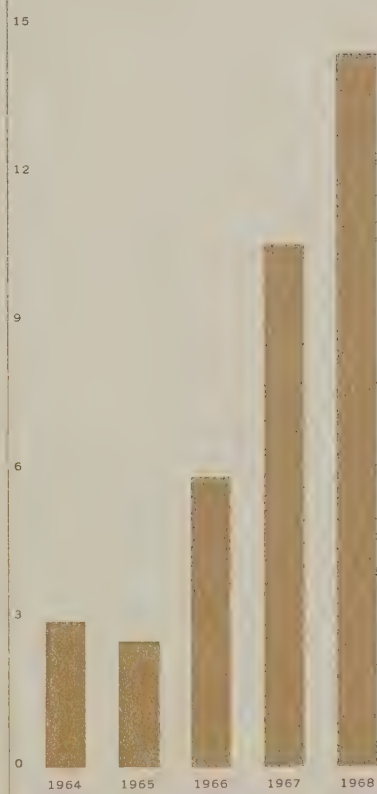
NET SALES

MILLIONS OF DOLLARS



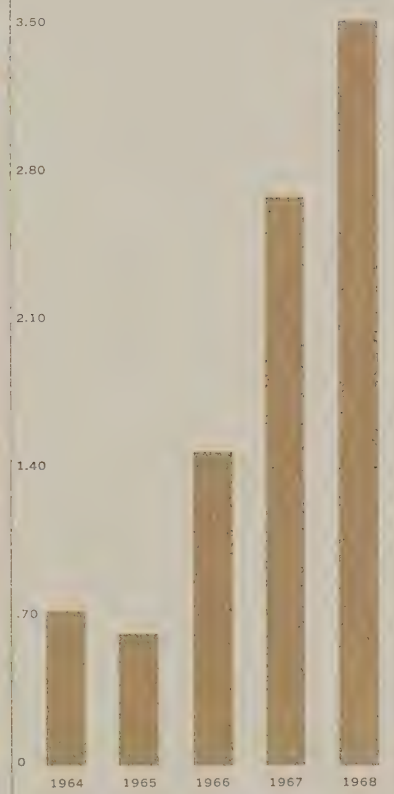
NET INCOME

MILLIONS OF DOLLARS



PER SHARE EARNINGS

DOLLARS



NORRIS INDUSTRIES, INC.

CONSOLIDATED BALANCE SHEET

as of July 31, 1968 and 1967

ASSETS	1968	1967
CURRENT ASSETS:		
Cash	\$ 2,257,000	\$ 2,070,000
Notes and accounts receivable (less allowance for doubtful receivables: 1968, \$1,072,000; 1967, \$266,000)	31,796,000	23,683,000
Inventories (at lower of cost or market):		
Finished goods	6,623,000	5,116,000
Work-in-process	14,661,000	13,653,000
Raw materials, supplies, and other	16,358,000	15,483,000
Total inventories	37,642,000	34,252,000
Prepaid expenses, deposits, and claims	1,960,000	1,142,000
Total current assets	73,655,000	61,147,000
PROPERTY, PLANT, AND EQUIPMENT (at cost):		
Land	2,457,000	2,319,000
Buildings	12,625,000	10,000,000
Machinery, equipment, etc.	37,222,000	32,171,000
	52,304,000	44,490,000
Less accumulated depreciation and amortization	20,522,000	16,929,000
	31,782,000	27,561,000
Unamortized special tooling	3,237,000	3,928,000
Property, plant, and equipment (net)	35,019,000	31,489,000
OTHER ASSETS:		
Excess of cost of capital stock of subsidiary over net assets acquired	4,089,000	—
Other	1,064,000	1,131,000
Total other assets	5,153,000	1,131,000
TOTAL	\$113,827,000	\$93,767,000

Accompanying notes to financial statements are
an integral part of this statement.

LIABILITIES	1968	1967
CURRENT LIABILITIES:		
Unsecured notes payable to banks	\$ 4,142,000	\$ 7,749,000
Accounts payable	12,555,000	13,971,000
Accrued liabilities	12,429,000	6,608,000
Liabilities to employees' profit sharing and pension funds	2,865,000	2,061,000
Current portion of long-term debt	3,054,000	1,617,000
Federal income taxes	3,968,000	6,173,000
Total current liabilities	<u>39,013,000</u>	<u>38,179,000</u>
LONG-TERM DEBT:		
Unsecured notes payable to banks:		
6%—due in quarterly installments to July 1972	3,214,000	4,286,000
6½%—due in quarterly installments to August 1974	10,500,000	12,000,000
6½%—due December 1970	5,000,000	—
Other	380,000	819,000
Total long-term debt	<u>19,094,000</u>	<u>17,105,000</u>
STOCKHOLDERS' EQUITY:		
Preferred stock—without par value (authorized, 5,000,000 shares; outstanding, none)	—	—
Common stock—par value \$.50 per share (authorized, 10,000,000 shares; outstanding: 1968, 4,199,823 shares; 1967, 2,638,414 shares)	2,148,000	1,367,000
Paid-in surplus	5,716,000	631,000
Retained earnings	47,856,000	36,485,000
Total stockholders' equity	<u>55,720,000</u>	<u>38,483,000</u>
TOTAL	<u><u>\$113,827,000</u></u>	<u><u>\$93,767,000</u></u>

NORRIS INDUSTRIES, INC.
CONSOLIDATED STATEMENT OF
INCOME AND RETAINED EARNINGS

	For the Years Ended July 31	1968	1967
INCOME:			
Net sales		\$274,027,000	\$189,954,000
Sales of facilities, at cost, to U.S. Government		451,000	8,642,000
Other		1,077,000	644,000
Total		<u>275,555,000</u>	<u>199,240,000</u>
COSTS AND EXPENSES:			
Cost of sales		221,846,000	165,434,000
Selling and advertising expense		12,305,000	5,951,000
General and administrative expense		9,586,000	5,978,000
Other		2,886,000	1,557,000
Total		<u>246,623,000</u>	<u>178,920,000</u>
INCOME BEFORE FEDERAL			
INCOME TAXES		28,932,000	20,320,000
FEDERAL INCOME TAXES		14,513,000	9,656,000
NET INCOME		<u>14,419,000</u>	<u>10,664,000</u>
RETAINED EARNINGS AT			
BEGINNING OF YEAR		36,485,000	28,130,000
Total		<u>50,904,000</u>	<u>38,794,000</u>
LESS CASH DIVIDENDS (\$.73 per share in			
1968 and \$.59 per share in 1967)		3,048,000	2,309,000
RETAINED EARNINGS AT END OF YEAR		<u>\$ 47,856,000</u>	<u>\$ 36,485,000</u>
NET INCOME PER SHARE		<u>\$3.51</u>	<u>\$2.69</u>

Accompanying notes to financial statements are
an integral part of this statement.

NORRIS INDUSTRIES, INC.

**CONSOLIDATED STATEMENT OF
SOURCE AND APPLICATION OF FUNDS**

	For the Years Ended July 31	1968	1967
SOURCE:			
Net income from operations		\$14,419,000	\$10,664,000
Depreciation and amortization which did not require use of funds		<u>9,034,000</u>	<u>6,655,000</u>
Total from operations		23,453,000	17,319,000
Net increase in long-term debt		1,989,000	11,748,000
Dispositions of property, plant, and equipment		2,035,000	483,000
Issuance of common stock in acquisition of subsidiary		<u>5,866,000</u>	<u>—</u>
Total		<u>33,343,000</u>	<u>29,550,000</u>
APPLICATION:			
Cash dividends to stockholders		3,048,000	2,309,000
Additions to property, plant, and equipment		14,599,000	19,488,000
Excess of cost of capital stock of subsidiary over net assets acquired		4,089,000	—
Other		<u>(67,000)</u>	<u>651,000</u>
Total		<u>21,669,000</u>	<u>22,448,000</u>
NET INCREASE IN WORKING CAPITAL		<u>\$11,674,000</u>	<u>\$ 7,102,000</u>

Accompanying notes to financial statements are
an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. Effective in December 1967, the Company exchanged 161,831 shares of its common stock for substantially all of the outstanding capital stock of Waste King Corporation. The excess of market value of the Company's shares issued over the par value thereof, \$5,785,000, was credited to paid-in surplus. Included in the accompanying financial statements as of July 31, 1968, are total assets of approximately \$9,726,000 and net sales for the eight months then ended of approximately \$14,795,000 attributable to the Waste King companies.

In connection with a 50% share distribution on April 1, 1968, 1,399,578 common shares were issued and \$700,000, representing the par value thereof, was transferred from paid-in surplus to the common share account. Per share data for the year ended July 31, 1967 have been adjusted to give effect to such distribution.

NOTE 2. Under terms of agreements relating to the unsecured notes payable, the Company and subsidiaries are required, among other things, to maintain certain minimum levels of working capital and net worth. These agreements also contain certain restrictions relating to the declaration and payment of dividends.

NOTE 3. Provisions for depreciation and amortization of property, plant and equipment amounted to \$9,034,000 in 1968 and \$6,655,000 in 1967.

NOTE 4. Retirement benefits with respect to qualifying employees of the Vernon facility of the Company are provided through the Norris Employees' Retirement Fund. The Fund, which is contributory, provides for annual payments by the Company (to a trust) based on a graduated scale of percentages applied to available net operating earnings (as defined) but not in excess of 15% of the aggregate compensation, excluding incentive compensation, of the participating employees.

The Company has various other pension plans covering the majority of its other employees. These plans are non-contributory and are being funded by contributions to trustee administered funds and by purchases of individual annuities from insurance companies. The costs of the retirement and pension plans including the Norris Employees' Retirement Fund amounted to \$2,865,000 in 1968 and \$2,061,000 in 1967.

NOTE 5. A substantial portion of the Company's military sales is subject to renegotiation under the Renegotiation Act of 1951. Clearance has been received from the Renegotiation Board through the year ended July 31, 1965 and no renegotiation refunds were required. In the opinion of the Company, no excess profits were realized for subsequent years, and, accordingly, no provision for renegotiation refunds has been made for those years.

OPINION OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

HASKINS & SELLS

CERTIFIED PUBLIC ACCOUNTANTS

ONE WILSHIRE BUILDING
LOS ANGELES 90017

Norris Industries, Inc.:

We have examined the consolidated balance sheet of Norris Industries, Inc. and subsidiaries as of July 31, 1968 and the related consolidated statements of income and retained earnings and of source and application of funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances; it was not practicable to confirm certain receivables from the United States Government, but we carried out other auditing procedures with respect to such receivables.

In our opinion, the above-mentioned consolidated financial statements present fairly the financial position of the companies as of July 31, 1968 and the results of their operations and the source and application of their funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

September 20, 1968

Haskins & Sells

TEN YEAR REVIEW

OPERATIONS

Years ended July 31	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959
	(Thousands of Dollars)									
Net sales	\$274,027	\$189,954	\$108,134	\$66,667	\$55,799	\$52,495	\$55,421	\$38,900	\$39,679	\$36,445
Income before Federal income taxes	28,932	20,320	11,043	4,515	5,758	4,378	4,444	3,586	5,848	4,722
Federal income taxes	14,513	9,656	5,215	2,000	2,766	2,185	2,184	1,809	3,006	2,361
Net income	14,419	10,664	5,828	2,515	2,992	2,193	2,260	1,777	2,842	2,361

FINANCIAL CONDITION

As of July 31	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959
	(Thousands of Dollars)									
Total current assets	\$ 73,655	\$ 61,147	\$ 46,987	\$31,837	\$20,597	\$19,952	\$19,538	\$17,377	\$18,205	\$15,748
Total current liabilities	39,013	38,179	31,121	17,142	7,742	7,055	6,059	4,902	4,715	4,138
Working capital	34,642	22,968	15,866	14,695	12,855	12,897	13,479	12,475	13,490	11,610
Property, plant, and equipment (net)	35,019	31,489	19,139	16,864	11,892	10,773	9,940	10,743	9,565	8,278
Excess cost over net assets of subsidiary	4,089	—	—	—	—	—	—	—	—	—
Other non-current assets	1,064	1,131	480	488	498	771	794	833	946	1,114
Total	\$ 74,814	\$ 55,588	\$ 35,485	\$32,047	\$25,245	\$24,441	\$24,213	\$24,051	\$24,001	\$21,002
Represented by:										
Long-term debt	\$ 19,094	\$ 17,105	\$ 5,357	\$ 6,428	—	\$ 320	\$ 639	\$ 959	\$ 1,278	—
Stockholders' equity	55,720	38,483	30,128	25,619	25,245	24,121	23,574	23,092	22,723	21,002
Total	\$ 74,814	\$ 55,588	\$ 35,485	\$32,047	\$25,245	\$24,441	\$24,213	\$24,051	\$24,001	\$21,002

PER SHARE DATA (a)	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959
Net income (b)	\$ 3.51	\$2.69	\$1.47	\$.63	\$.73	\$.53	\$.54	\$.42	\$.67	\$.55
Book value	13.27	9.73	7.61	6.47	6.21	5.86	5.66	5.48	5.35	4.95
Dividends paid	.73	.59	.33	.33	.33	.33	.30	.30	.27	.25

(a) Adjusted for 100% share distribution in 1966 and for 50% share distribution in 1968.

(b) Based on average number of shares outstanding during the respective years.

Board of Directors

KENNETH T. NORRIS, Chairman of the Board

KENNETH T. NORRIS, JR., President

GEORGE C. FORD, Group Vice President—
Commercial Products Group I

HUGH J. SHUMAKER
Vice President—Finance and Treasurer

GEORGE P. EICHELSBACH, JR., Group Vice
President—Military Products

MAHLON E. ARNETT, Formerly Vice President &
Director, Federated Dept. Stores, Inc.

JOHN S. GRIFFITH
Chairman of the Board, Far West Financial Corporation

HERBERT S. HAZELTINE, Partner—Adams, Duque
& Hazeltine

H. LESLIE HOFFMAN, Chairman of the Board,
Hoffman Electronics Corporation

WILLARD W. KEITH, Director and Member
Executive Committee,
Marsh & McLennan, Inc. (Delaware)

H. SAFFORD NYE, Management and
Financial Consultant

Executive Committee

KENNETH T. NORRIS

KENNETH T. NORRIS, JR.

GEORGE C. FORD

HUGH J. SHUMAKER

Officers

KENNETH T. NORRIS, Chairman of the Board

KENNETH T. NORRIS, JR., President

GEORGE C. FORD, Group Vice President—Commercial Products Group I

GEORGE P. EICHELSBACH, JR., Group Vice President—Military Products

H. J. MEANY, Group Vice President—Appliance Group

ROBERT S. PUTNAM, Vice President—Industrial Relations

DONALD P. WHITE, Vice President—Military Sales

HUGH J. SHUMAKER, Vice President—Finance and Treasurer

JOHN C. REPPERT, Secretary and Assistant Treasurer

ELLIS L. CROFF, Assistant Secretary

HARRY L. STEVENS, JR., Assistant Secretary

Stock Listings

New York Stock Exchange
Pacific Coast Stock Exchange

Transfer Agents

Crocker-Citizens National Bank
Los Angeles, California
The Chase Manhattan Bank
New York, New York

Registrars

Security Pacific National Bank
Los Angeles, California
Chemical Bank New York Trust Company
New York, New York

Annual Stockholders' Meeting

November 19, 1968



Divisions and Plants

NORRIS INDUSTRIES EXECUTIVE OFFICE

5215 South Boyle Avenue
Los Angeles, California 90058

Military Products

VERNON DIVISION

5215 South Boyle Ave.
Los Angeles, Calif.

Maywood Plant
4731 East 52nd Drive
Los Angeles, Calif.

Pico Rivera Plant
7755 So. Paramount Place
Pico Rivera, Calif.

Riverbank Army
Ammunition Plant
(Government-Owned)
Riverbank, Calif.

HESSE-EASTERN DIVISION

Everett Plant
210 Broadway
Everett, Mass.

Brockton Plant
70 East Battles St.
Brockton, Mass.

FOREIGN LICENSEES

Les Forges de Zeebrugge
71 à 145, Rue Bellenay
Herstal—Liège, Belgium

Raufoss Ammunisjonsfabrikker
Raufoss, Norway

Commercial Products

AUTOMOBILE WHEEL DIVISION

5215 South Boyle Ave.
Los Angeles, Calif.

BOWERS DIVISION

6700 Avalon Blvd.
Los Angeles, Calif.

COMPRESSED GAS CYLINDERS DIVISION

5215 South Boyle Ave.
Los Angeles, Calif.

FIRE & SAFETY EQUIPMENT DIVISION

U.S. Highway No. 1
Newark, N.J.

Plant No. 2
Ryders Lane
East Brunswick, N.J.

Fyr-Fyter Company
of Canada
19 Victoria Crescent
Bramalea, Ontario, Canada

PLUMBINGWARE DIVISION

700 Water St.
City of Industry, Calif.

RUSSELL BOLT DIVISION

2665 Leonis Blvd.
Los Angeles, Calif.

THERMADOR DIVISION

5119 District Blvd.
Los Angeles, Calif.

WASTE KING CORPORATION

3300 East 50th St.
Los Angeles, Calif.

WEISER CO. DIVISION

4100 Ardmore Ave.
South Gate, Calif.

Weiser Lock Company
of Canada, Ltd.
7374 Hawthorne St.
Burnaby, British Columbia
Canada

NORRIS INDUSTRIES
5215 South Boyle Avenue
Los Angeles, California 90058